

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF RAVENNA	County MUSKEGON
Fiscal Year End 12/31/06	Opinion Date 4/11/07	Date Audit Report Submitted to State 4/16/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

2007

☒ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NONE THIS YEAR	
Other (Describe)	<input type="checkbox"/>	NONE	
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number (231) 726-5800	
Street Address TERRACE PLAZA SUITE 500		City MUSKEGON	State MI
		Zip 49443	
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> for Brickley DeLong, PLC		Printed Name TIMOTHY D ARTER	License Number 10253

Village of Ravenna
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2006

Village of Ravenna

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As management of the Village of Ravenna, we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village of Ravenna for the fiscal year ended December 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the Village of Ravenna had total assets of \$2,636,943 and total liabilities of \$119,978 leaving net assets of \$2,516,965, an increase of 4% in overall net assets.
- Of the total \$2,516,965 in net assets, the Village may use \$656,134 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$838,987, made up of governmental revenues of \$513,845 and business-type revenues of \$325,142. Revenues for the Village's DDA were \$9,708.
- Total expenses for all of the Village's programs were \$742,814. Of that total, the governmental expenses were \$457,117 and the business-type expenses were \$285,697. The Village's DDA did not have any expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Village include general government, public safety, public works and cultural and recreational activities. The business-type activities of the Village include water distribution and sewer services.

The government-wide financial statements include not only the Village of Ravenna (the primary government) but also the legally separate discretely presented component unit. The board of this organization is appointed by the Village and given the interrelation of the two; there is some potential liability for the Village due to the Village's potential pledge of its full faith and credit for future debt obligations. The financial information of this component unit is reported in a separate column from the financial information of the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories—governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village of Ravenna maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered to be major funds.

Proprietary Funds. The Village of Ravenna has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds, both of which are major funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information as it relates to the actual expenditures for the General Fund and Major Streets Fund.

Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide Statement of Net Assets for the Village of Ravenna. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2006, the Village's net assets from governmental activities totaled \$1,282,032 (50.9%) and \$1,234,933 (49.1%) from business-type activities, creating a total government-wide net assets total of \$2,516,965.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., infrastructure, buildings, land, vehicles, equipment, etc). These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities are \$279,875. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$1,234,933 in net assets and \$376,259 (30%) in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$46,425 and \$329,834, respectively.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets and						
other assets	\$ 496,913	\$ 403,201	\$ 387,112	\$ 349,887	\$ 884,025	\$ 753,088
Capital assets	830,244	845,205	922,674	948,716	1,752,918	1,793,921
Total assets	1,327,157	1,248,406	1,309,786	1,298,603	2,636,943	2,547,009
Current liabilities	45,125	23,102	45,853	39,115	90,978	62,217
Noncurrent liabilities	-	-	29,000	64,000	29,000	64,000
Total liabilities	45,125	23,102	74,853	103,115	119,978	126,217
Net assets						
Invested in capital assets,						
net of related debt	830,244	845,205	858,674	849,716	1,688,918	1,694,921
Restricted	171,913	168,526	-	-	171,913	168,526
Unrestricted	279,875	211,573	376,259	345,772	656,134	557,345
Total net assets	\$ 1,282,032	\$ 1,225,304	\$ 1,234,933	\$ 1,195,488	\$ 2,516,965	\$ 2,420,792

Current assets and other assets increased for governmental activities primarily due to the increase in cash held at year-end. Capital assets decreased for governmental activities because depreciation expense exceeded capital asset additions. Current liabilities increased for governmental activities primarily due to the increase in accounts payable. Current assets and other assets increased for business-type activities due to the increase in cash. Capital assets decreased for business-type activities because depreciation expense exceeded capital asset additions.

Governmental Activities

Governmental activities net assets increased by \$56,728 (5%) during the 2006 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Revenues and expenditures of governmental activities were fairly consistent for most categories. Property tax revenue is up due to go growth in taxable values. Public safety expenses are up due to increased depreciation expense. Culture and recreation expenses are up due to increased salaries for work done at Conklin Park and operating supplies.

Business-type activities

At the end of the fiscal year, the net assets for business-type activities increased by \$39,445 or 3%. Two funds comprise the business-type activities. The Sewer Fund experienced a decrease in net assets for the year totaling \$8,417. The Water Fund experienced an increase in net assets for the year totaling \$47,862.

Revenues and expenditures of business-type activities were fairly consistent for most categories. Sewer expenses were higher due to increased wages and operating supplies due to overtime spent fixing sewer lines during the year. Water expenses were lower due to more maintenance and repair projects done in the prior year.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 49,303	\$ 53,798	\$ 314,476	\$ 321,845	\$ 363,779	\$ 375,643
Operating grants	117,865	118,771	-	-	117,865	118,771
General revenues						
Property taxes	220,971	214,733	-	-	220,971	214,733
Grants and contributions not restricted	97,754	100,120	-	-	97,754	100,120
Unrestricted investment earnings	6,222	5,270	10,666	6,735	16,888	12,005
Miscellaneous	21,730	24,679	-	-	21,730	24,679
Total revenues	513,845	517,371	325,142	328,580	838,987	845,951
Expenses:						
General government	59,145	62,446	-	-	59,145	62,446
Public safety	24,132	23,671	-	-	24,132	23,671
Public works	303,329	293,761	-	-	303,329	293,761
Culture and recreation	70,511	55,557	-	-	70,511	55,557
Sewer Fund	-	-	142,988	120,370	142,988	120,370
Water Fund	-	-	142,709	151,278	142,709	151,278
Total expenses	457,117	435,435	285,697	271,648	742,814	707,083
Change in net assets	56,728	81,936	39,445	56,932	96,173	138,868
Net assets - Beginning	1,225,304	1,143,368	1,195,488	1,138,556	2,420,792	2,281,924
Net assets - Ending	\$ 1,282,032	\$ 1,225,304	\$ 1,234,933	\$ 1,195,488	\$ 2,516,965	\$ 2,420,792

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the Village's governmental funds reported a combined unreserved fund balance of \$446,888. This number represents the unreserved fund balances of \$274,975 in the General Fund, \$150,145 in the Major Streets Fund and \$21,768 in the Local Streets Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Village's discretion. The remainder of the fund balance of \$4,900 is reserved to indicate that it is not available for new spending because it has already been committed to enforcement activities. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$451,788, which consists of fund balances of \$279,875 in the General Fund, \$150,145 in the Major Streets Fund and \$21,768 in the Local Streets Fund.

Proprietary Funds. The Village proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Sewer fund decreased by \$3,580 and the Water fund increased by \$34,067. The result was an overall net increase in the proprietary funds of \$30,487.

General Fund Budget

During the current fiscal year, the Village made no amendments to its original budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- State intergovernmental revenue is \$5,352 below the budgeted amount because state shared revenue did not increase.
- Building, plumbing, electrical and mechanical inspector expenditures are \$5,512 less than budgeted because less was spent on salaries for the inspectors than anticipated due to lower construction activity in the Village.
- Parks expenditures are \$9,905 less than budgeted because operating supplies and repair and maintenance expenses were less than anticipated.

Capital Assets Administration

The Village of Ravenna's investment in capital assets for its governmental and business-type activities as of December 31, 2006 totaled \$1,752,918 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Village is in the process of building restrooms at Conklin Park. During 2006 the Village incurred \$11,692 in costs for this project.
- The Village constructed a parking lot at Conklin Park for \$7,286.
- The Village purchased a plow for a DPW truck for \$5,798.
- The Village slurry sealed a road for \$7,905 and incurred additional costs for Blackmer Road of \$7,047.
- The Village purchased a flat bed truck for DPW for \$14,685.
- The Village incurred \$8,000 in costs during 2006 towards the construction of a water filtration plant.
- The Village completed a watermain loop for \$6,716.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 15,000	\$ 15,000	\$ 32,963	\$ 32,963	\$ 47,963	\$ 47,963
Construction in progress	11,692	-	8,000	-	19,692	-
Land improvements	32,419	26,913	-	-	32,419	26,913
Buildings and improvements	51,616	54,983	-	-	51,616	54,983
Furniture and equipment	92,391	93,931	-	-	92,391	93,931
Vehicles	25,212	17,588	-	-	25,212	17,588
Infrastructure	601,914	636,790	-	-	601,914	636,790
Sewer system	-	-	712,906	742,743	712,906	742,743
Water system	-	-	168,805	173,010	168,805	173,010
Total	<u>\$ 830,244</u>	<u>\$ 845,205</u>	<u>\$ 922,674</u>	<u>\$ 948,716</u>	<u>\$ 1,752,918</u>	<u>\$ 1,793,921</u>

Additional information on the Village's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Long-Term Debt

At the end of the 2006 fiscal year, the Village of Ravenna had total outstanding debt of \$64,000 consisting of revenue bonds. The payment of this debt is anticipated through the revenues generated from the water and sewer services in the enterprise funds.

The Village's total debt decreased by \$35,000 during the fiscal year. This reduction was due to regularly scheduled debt payments.

Additional information on the Village's long-term debt can be found in Note F of the "Notes to Financial Statements" of this report.

General Economic Overview

The Village of Ravenna has set fiscal accountability and financial stability as its number one priority.

The General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 70% of the General Fund revenue sources in 2006. In 2007, property taxes are expected to increase by at least one percent due to increases in taxable value and state shared revenue is expected to remain flat.

The Village Council and staff have budgeted for 2007 the purchase of a backhoe and the trade-in of an old backhoe for \$8,500 and the resurfacing of Mortimer Street which is expected to cost over \$250,000, of which \$140,000 will be paid for with a MDOT grant.

Requests for Information

This financial report is designed to provide a general overview of the Village of Ravenna's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Ravenna, 12090 Crockery Creek Drive, Ravenna, Michigan, 49451, (231) 853-2360.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

April 11, 2007

To the Honorable President and
Members of the Village Council
Village of Ravenna
Ravenna, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ravenna as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Ravenna's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ravenna, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - viii and 24 - 25 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Village of Ravenna
STATEMENT OF NET ASSETS
December 31, 2006

ASSETS

				Component unit
	Governmental activities	Business-type activities	Total	Downtown Development Authority
CURRENT ASSETS				
Cash and investments	\$ 408,258	\$ 377,132	\$ 785,390	\$ 100
Receivables	25,095	24,322	49,417	-
Due from other governmental units	49,218	-	49,218	5,848
Internal balances	14,342	(14,342)	-	-
Due from primary government	-	-	-	8,231
Total current assets	496,913	387,112	884,025	14,179
NONCURRENT ASSETS				
Capital assets, net				
Nondepreciable	26,692	40,963	67,655	-
Depreciable	803,552	881,711	1,685,263	-
Total noncurrent assets	830,244	922,674	1,752,918	-
Total assets	1,327,157	1,309,786	2,636,943	14,179
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	36,894	10,853	47,747	-
Due to component unit	8,231	-	8,231	-
Bonds and other obligations, due within one year	-	35,000	35,000	-
Total current liabilities	45,125	45,853	90,978	-
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	-	29,000	29,000	-
Total liabilities	45,125	74,853	119,978	-
NET ASSETS				
Invested in capital assets, net of related debt	830,244	858,674	1,688,918	-
Restricted for streets	171,913	-	171,913	-
Unrestricted	279,875	376,259	656,134	14,179
Total net assets	\$ 1,282,032	\$ 1,234,933	\$ 2,516,965	\$ 14,179

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

<i>Functions/Programs</i>	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenue		Primary Government			Component unit
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total	Downtown Development Authority
Primary government							
Governmental activities							
General government	\$ 59,145	\$ 3,066	\$ -	\$ (56,079)	\$ -	\$ (56,079)	\$ -
Public safety	24,132	-	-	(24,132)	-	(24,132)	-
Public works	303,329	46,237	117,865	(139,227)	-	(139,227)	-
Culture and recreation	<u>70,511</u>	<u>-</u>	<u>-</u>	<u>(70,511)</u>	<u>-</u>	<u>(70,511)</u>	<u>-</u>
Total governmental activities	457,117	49,303	117,865	(289,949)	-	(289,949)	-
Business-type activities							
Sewer	142,988	131,697	-	-	(11,291)	(11,291)	-
Water	<u>142,709</u>	<u>182,779</u>	<u>-</u>	<u>-</u>	<u>40,070</u>	<u>40,070</u>	<u>-</u>
Total business-type activities	<u>285,697</u>	<u>314,476</u>	<u>-</u>	<u>-</u>	<u>28,779</u>	<u>28,779</u>	<u>-</u>
Total primary government	<u>\$ 742,814</u>	<u>\$ 363,779</u>	<u>\$ 117,865</u>	(289,949)	28,779	(261,170)	-
Component unit							
Downtown Development Authority							
Economic Development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	-
General revenues							
Property taxes				220,971	-	220,971	9,608
Grants and contributions not restricted to specific programs				97,754	-	97,754	-
Unrestricted investment earnings				6,222	10,666	16,888	-
Miscellaneous				<u>21,730</u>	<u>-</u>	<u>21,730</u>	<u>100</u>
Total general revenues				<u>346,677</u>	<u>10,666</u>	<u>357,343</u>	<u>9,708</u>
Change in net assets				56,728	39,445	96,173	9,708
Net assets at January 1, 2006				<u>1,225,304</u>	<u>1,195,488</u>	<u>2,420,792</u>	<u>4,471</u>
Net assets at December 31, 2006				<u>\$ 1,282,032</u>	<u>\$ 1,234,933</u>	<u>\$ 2,516,965</u>	<u>\$ 14,179</u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
BALANCE SHEET
Governmental Funds
December 31, 2006

	General Fund	Major Streets Fund	Other governmental fund	Total governmental funds
ASSETS				
Cash and investments	\$ 227,796	\$ 161,686	\$ 18,776	\$ 408,258
Receivables				
Accounts	3,907	-	-	3,907
Taxes	21,188	-	-	21,188
Due from other funds	22,127	-	-	22,127
Due from other governmental units	32,804	12,658	3,756	49,218
Total assets	<u>\$ 307,822</u>	<u>\$ 174,344</u>	<u>\$ 22,532</u>	<u>\$ 504,698</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 17,493	\$ 16,290	\$ 668	\$ 34,451
Accrued liabilities	2,223	124	96	2,443
Due to other funds	-	7,785	-	7,785
Due to component unit	8,231	-	-	8,231
Total liabilities	27,947	24,199	764	52,910
Fund balances				
Reserved for enforcement activities - permits	4,900	-	-	4,900
Unreserved, undesignated				
General Fund	274,975	-	-	274,975
Special revenue funds	-	150,145	21,768	171,913
Total fund balances	279,875	150,145	21,768	451,788
Total liabilities and fund balances	<u>\$ 307,822</u>	<u>\$ 174,344</u>	<u>\$ 22,532</u>	<u>\$ 504,698</u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
December 31, 2006

Total fund balance—governmental funds	\$ 451,788
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,457,420	
Accumulated depreciation	<u>(627,176)</u>	<u>830,244</u>
Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,282,032</u></u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds
For the year ended December 31, 2006

	General Fund	Major Streets Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 220,971	\$ -	\$ -	\$ 220,971
Licenses and permits	3,066	-	-	3,066
Intergovernmental revenues - State	97,754	89,466	25,066	212,286
Charges for services	108,254	-	-	108,254
Investment earnings	6,222	3,149	184	9,555
Other	21,730	-	-	21,730
	<u>457,997</u>	<u>92,615</u>	<u>25,250</u>	<u>575,862</u>
Total revenues				
EXPENDITURES				
Current				
General government	51,792	-	-	51,792
Public safety	21,946	-	-	21,946
Public works	186,260	60,197	37,728	284,185
Culture and recreation	60,595	-	-	60,595
Other governmental functions	31,865	-	-	31,865
Capital outlay	37,237	16,553	-	53,790
	<u>389,695</u>	<u>76,750</u>	<u>37,728</u>	<u>504,173</u>
Total expenditures				
Net change in fund balances	68,302	15,865	(12,478)	71,689
Fund balances at January 1, 2006	<u>211,573</u>	<u>134,280</u>	<u>34,246</u>	<u>380,099</u>
Fund balances at December 31, 2006	<u>\$ 279,875</u>	<u>\$ 150,145</u>	<u>\$ 21,768</u>	<u>\$ 451,788</u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended December 31, 2006

Net change in fund balances—total governmental funds	\$ 71,689
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (69,374)	
Capital outlay	<u>54,413</u>	<u>(14,961)</u>
Change in net assets of governmental activities		\$ <u><u>56,728</u></u>

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF NET ASSETS
 Proprietary Funds
 December 31, 2006

ASSETS

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
CURRENT ASSETS			
Cash and investments	\$ 51,285	\$ 325,847	\$ 377,132
Accounts receivable	12,634	11,688	24,322
Total current assets	63,919	337,535	401,454
NONCURRENT ASSETS			
Capital assets			
Land	31,800	1,163	32,963
Machinery and equipment	16,042	16,042	32,084
Plants and infrastructure	1,290,067	416,698	1,706,765
Construction in progress	-	8,000	8,000
Less accumulated depreciation	(593,203)	(263,935)	(857,138)
Net capital assets	744,706	177,968	922,674
Total assets	808,625	515,503	1,324,128
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	7,339	1,779	9,118
Accrued liabilities	818	917	1,735
Due to other funds	9,337	5,005	14,342
Bonds and other obligations, due within one year	25,000	10,000	35,000
Total current liabilities	42,494	17,701	60,195
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	19,000	10,000	29,000
Total liabilities	61,494	27,701	89,195
NET ASSETS			
Invested in capital assets, net of related debt	700,706	157,968	858,674
Unrestricted	46,425	329,834	376,259
Total net assets	\$ 747,131	\$ 487,802	\$ 1,234,933

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 Proprietary Funds
 For the year ended December 31, 2006

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 130,697	\$ 181,624	\$ 312,321
OPERATING EXPENSES			
Operations	109,701	130,475	240,176
Depreciation	29,837	10,921	40,758
Total operating expenses	139,538	141,396	280,934
Operating income (loss)	(8,841)	40,228	31,387
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,874	7,792	10,666
Connection fees	1,000	1,155	2,155
Interest expense	(3,450)	(1,313)	(4,763)
Total nonoperating revenues (expenses)	424	7,634	8,058
Change in net assets	(8,417)	47,862	39,445
Net assets at January 1, 2006	755,548	439,940	1,195,488
Net assets at December 31, 2006	\$ 747,131	\$ 487,802	\$ 1,234,933

The accompanying notes are an integral part of this statement.

Village of Ravenna
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended December 31, 2006

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 128,034	\$ 180,737	\$ 308,771
Receipts from interfund services provided	942	705	1,647
Payments to suppliers	(72,937)	(87,972)	(160,909)
Payments to employees	(30,658)	(41,871)	(72,529)
Payment for interfund services used	23,394	5,005	28,399
Net cash provided by operating activities	48,775	56,604	105,379
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	1,000	1,155	2,155
Purchases of capital assets	-	(14,716)	(14,716)
Principal paid on capital debt	(25,000)	(10,000)	(35,000)
Interest paid on capital debt	(3,450)	(1,313)	(4,763)
Net cash used for capital and related financing activities	(27,450)	(24,874)	(52,324)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	2,874	7,792	10,666
Net increase in cash and investments	24,199	39,522	63,721
Cash and investments at January 1, 2006	27,086	286,325	313,411
Cash and investments at December 31, 2006	\$ 51,285	\$ 325,847	\$ 377,132
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (8,841)	\$ 40,228	\$ 31,387
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	29,837	10,921	40,758
Change in assets and liabilities			
Accounts receivable	(1,721)	(182)	(1,903)
Internal balances	14,057	-	14,057
Accounts payable	5,867	400	6,267
Accrued liabilities	9,576	5,237	14,813
Net cash provided by operating activities	\$ 48,775	\$ 56,604	\$ 105,379

The accompanying notes are an integral part of this statement.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Ravenna (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Reporting Entity

The Village is a municipal corporation governed by an elected five-member Village Council and is administered by a village manager appointed by the Village Council. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 fiscal year end.

Discretely presented component unit

Downtown Development Authority (DDA). The DDA board is appointed by the Village Council, but the Authority operates as a separate entity. The board can authorize and issue debt independent from the Village. The component unit is presented as a governmental fund type.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund is used to account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of the Village's major streets.

The Village has only one other governmental fund, the Local Streets Fund.

The Village reports the following two major proprietary funds:

The Sewer Fund operates the Village's sewage pumping station and collection systems.

The Water Fund operates the Village's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity.

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the Village's investment pool.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Village bills and collects its own property taxes but does not collect taxes for any other taxing unit. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Village to the County for collection. The County advances the Village all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Village totaled approximately \$25,921,000 of which approximately \$454,000 was captured by the component unit. The ad valorem taxes levied consisted of 8.2764 mills for the Village's operating purposes. This amount is recognized in the General Fund with captured amounts shown in the DDA.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost of the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year).

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Plant and systems	30-50
Infrastructure	20
Land improvements	20
Equipment	5-20
Vehicles	5-10

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to November 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Village Council.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Village has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of December 31, 2006, \$448,053 of the Village's bank balance of \$718,546 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Village does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	<u>-</u>	<u>11,692</u>	<u>-</u>	<u>11,692</u>
Total capital assets, not being depreciated	15,000	11,692	-	26,692
Capital assets, being depreciated:				
Land improvements	31,960	7,286	-	39,246
Buildings and improvements	169,239	-	-	169,239
Furniture and equipment	119,940	5,798	-	125,738
Infrastructure	989,395	14,952	-	1,004,347
Vehicles	<u>77,473</u>	<u>14,685</u>	<u>-</u>	<u>92,158</u>
Total capital assets, being depreciated	1,388,007	42,721	-	1,430,728
Less accumulated depreciation:				
Land improvements	5,047	1,780	-	6,827
Buildings and improvements	114,256	3,367	-	117,623
Furniture and equipment	26,009	7,338	-	33,347
Infrastructure	352,605	49,828	-	402,433
Vehicles	<u>59,885</u>	<u>7,061</u>	<u>-</u>	<u>66,946</u>
Total accumulated depreciation	<u>557,802</u>	<u>69,374</u>	<u>-</u>	<u>627,176</u>
Total capital assets, being depreciated, net	<u>830,205</u>	<u>(26,653)</u>	<u>-</u>	<u>803,552</u>
Capital assets, net	<u><u>\$ 845,205</u></u>	<u><u>\$ (14,961)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 830,244</u></u>

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 32,963	\$ -	\$ -	\$ 32,963
Construction in progress	-	8,000	-	8,000
Total capital assets, not being depreciated	32,963	8,000	-	40,963
Capital assets, being depreciated:				
Sewer system	1,290,067	-	-	1,290,067
Water system	409,982	6,716	-	416,698
Machinery and equipment	32,084	-	-	32,084
Total capital assets, being depreciated	1,732,133	6,716	-	1,738,849
Less accumulated depreciation:				
Sewer system	559,222	28,233	-	587,455
Water system	248,870	9,317	-	258,187
Machinery and equipment	8,288	3,208	-	11,496
Total accumulated depreciation	816,380	40,758	-	857,138
Total capital assets, being depreciated, net	915,753	(34,042)	-	881,711
Capital assets, net	\$ 948,716	\$ (26,042)	\$ -	\$ 922,674

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,194
Public works	64,339
Culture and recreation	2,841
	<u>\$ 69,374</u>

Business-type activities:

Sewer	\$ 29,837
Water	10,921
	<u>\$ 40,758</u>

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE E—INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street	\$ 7,785
General Fund	Sewer Fund	9,337
General Fund	Water Fund	5,005
		<u>\$ 22,127</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due from/to primary government and component units:

The General Fund owes the DDA \$8,231 for property taxes.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Village for the year ended December 31, 2006.

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due within one year
Business-type activities:					
Revenue bonds	\$ 99,000	\$ -	\$ 35,000	\$ 64,000	\$ 35,000

Revenue bonds:

\$500,000 Sewage Disposal System Improvement

Revenue Bonds of 1970 payable in annual
installments of \$19,000 to \$25,000 through
December 2008; interest at 5%

\$ 44,000

\$100,000 Water Revenue Bonds of 1998 payable in
annual installments of \$10,000 through May 2008;
interest at 5.25%

20,000
\$ 64,000

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE F—LONG-TERM DEBT—Continued

For governmental activities, claims and judgments are generally liquidated by the General Fund.

The Village was in compliance in all material respects with all the revenue bond ordinances at December 31, 2006.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2006 follows:

Year ending December 31,	Business-type activities	
	Principal	Interest
2007	\$ 35,000	\$ 2,988
2008	29,000	1,213
	<u>\$ 64,000</u>	<u>\$ 4,201</u>

NOTE G—OTHER INFORMATION

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Village pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Plan

Plan Description. The Village is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Village. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Village of Ravenna
12090 Crockery Creek Drive
Ravenna, MI 49451

Funding Policy. Village employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The Village is required to contribute at an actuarially-determined rate of 5.17 percent of covered wages.

Annual Pension Cost. For the year ended December 31, 2006, the Village's annual pension cost was approximately \$9,000 which the Village contributed. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

<u>Year ending</u>	<u>Approximate annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/04	\$ 8,500	100 %	\$ -
12/31/05	9,000	100	-
12/31/06	9,000	100	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/03	\$ 190,274	\$ 237,542	\$ (47,268)	80 %	\$ 124,546	38 %
12/31/04	213,941	267,110	(53,169)	80	153,581	35
12/31/05	239,088	281,376	(42,288)	85	158,644	27

Village of Ravenna
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2006

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Village employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

REQUIRED SUPPLEMENTARY INFORMATION

Village of Ravenna
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 222,483	\$ 222,483	\$ 220,971	\$ (1,512)
Licenses and permits	6,500	6,500	3,066	(3,434)
Intergovernmental revenues - State	103,106	103,106	97,754	(5,352)
Charges for services	105,000	105,000	108,254	3,254
Fines and forfeitures	500	500	-	(500)
Investment earnings	4,000	4,000	6,222	2,222
Other	21,255	21,255	21,730	475
Total revenues	462,844	462,844	457,997	(4,847)
EXPENDITURES				
Current				
General government				
Village Council	11,387	11,387	7,443	3,944
Attorney	19,700	19,700	15,303	4,397
Clerk	5,500	5,500	5,119	381
Treasurer	4,300	4,300	3,562	738
Building and grounds	22,200	22,200	20,365	1,835
Public safety				
Police and fire protection	19,058	19,058	19,058	-
Building, plumbing, electrical and mechanical inspectors	8,400	8,400	2,888	5,512
Public works				
Department of public works	113,800	113,800	110,832	2,968
Street lighting	34,000	34,000	30,345	3,655
Sanitation	47,000	47,000	45,083	1,917
Culture and recreation				
Parks	70,500	70,500	60,595	9,905
Other governmental functions				
Insurance and bonds	26,000	26,000	23,344	2,656
Engineering	1,200	1,200	1,020	180
Employer payroll taxes	10,000	10,000	7,501	2,499
Capital outlay	38,000	38,000	37,237	763
Total expenditures	431,045	431,045	389,695	41,350
Net change in fund balance	\$ 31,799	\$ 31,799	68,302	\$ 36,503
Fund balance at January 1, 2006			211,573	
Fund balance at December 31, 2006			\$ 279,875	

Village of Ravenna
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended December 31, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues - State	\$ 95,000	\$ 95,000	\$ 89,466	\$ (5,534)
Investment earnings	2,000	2,000	3,149	1,149
Other	1,000	1,000	-	(1,000)
Total revenues	98,000	98,000	92,615	(5,385)
EXPENDITURES				
Current				
Public works	68,750	68,750	60,197	8,553
Capital outlay	17,100	17,100	16,553	547
Total expenditures	85,850	85,850	76,750	9,100
Net change in fund balance	\$ 12,150	\$ 12,150	15,865	\$ 3,715
Fund balance at January 1, 2006			134,280	
Fund balance at December 31, 2006			\$ 150,145	